

003 - AUDITOR-CONTROLLER

Operational Summary

Mission:

To exemplify excellence, service and professionalism in providing accurate, timely, and relevant accounting information and financial services to the County.

Strategic Goals:

- To increase the effectiveness and efficiency of professional accounting services provided to the County by emphasizing a control environment that balances the cost of internal controls with assessed business risk.
- To increase customer and stakeholder satisfaction by being proactive and service-oriented in providing accounting support to agencies/departments.
- To increase the usefulness and accessibility of financial information systems that provide accurate, timely and relevant financial information while remaining sensitive to the legal requirements of keeping certain information confidential.
- To further leverage scarce resources through increased technology and other innovative techniques.

Key Outcome Measures:

Performance Measure	FY 2000-2001 Results	FY 2001-2002 Target	How are we doing?
TIMELY SUBMISSION OF CLAIMS AND REPORTS TO THE STATE AND FEDERAL GOVERNMENTS. What: Measures compliance with deadlines that assure timely receipt of funds and avoidance of penalties. Why: The amount of revenue associated with these claims is approx. \$835 million.	99% compliance for the period 12/99-11/00.	95% compliance.	Exceeded the target of 95% compliance for the period 12/99-11/00.
RESULTS OF BIENNIAL COUNTYWIDE & EXTERNAL CLIENT SURVEYS: 90% OVERALL SATISFACTION. What: Measures client satisfaction with department services and performance. Why: Our goal is to meet or exceed the performance expectations of our clients.	Outstationed Agency Accounting Clients: 93.25% satisfaction, Vendors Receiving Payments: 86% satisfaction, Property Tax Clients: 90.6% satisfaction.	90% Satisfaction from Internal Clients (central accounting units). 90% Satisfaction from External Clients (taxpayers and vendors).	It is important that the department meets and exceeds expectations of all clients. We are following up on the lower ratings and comments received during the surveys in order to further improve the services we provide.
UNQUALIFIED AUDIT OPINION AND GFOA CERTIFICATE FOR THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). What: Measures the reliability, integrity, and accuracy of information presented in the CAFR. Why: Provides assurance to investors & others that CAFR fairly presents financial well being of County.	Received unqualified opinion for 99/00 CAFR and GFOA Certificate for 98/99.	Receive Unqualified Opinion for 00/01 CAFR and GFOA Certificate for 99/00.	Working on implementing new pronouncements from Government Accounting Standards Board (GASB) to stay in compliance with reporting requirements.

At a Glance:

Total FY 2000-2001 Actual Expenditure + Encumbrance:	10,536,329
Total Final FY 2001-2002 Budget:	11,469,728
Percent of County General Fund:	0.53%
Total Employees:	398.00

Key Outcome Measures: (Continued)

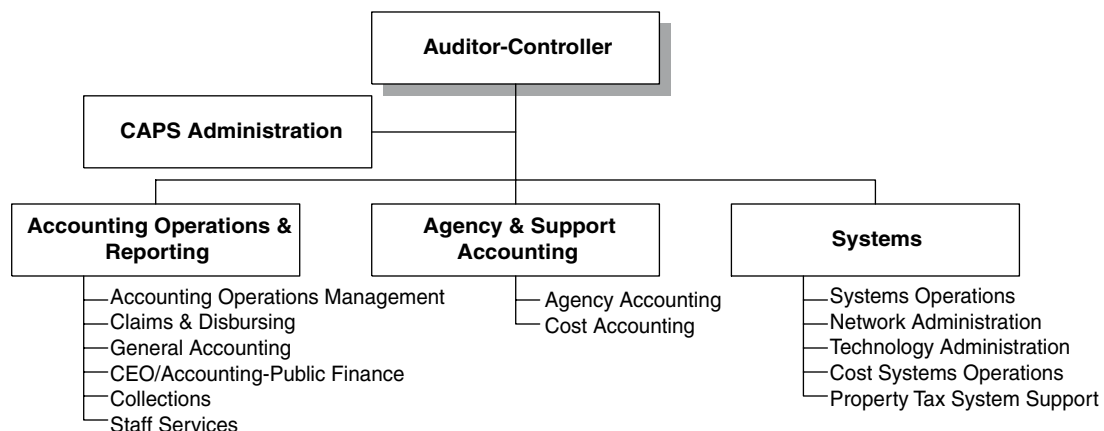
Performance Measure	FY 2000-2001 Results	FY 2001-2002 Target	How are we doing?
MEET ALL KEY DEADLINES FOR PAYROLL SERVICES. What: Measures ability to meet \$40 million biweekly County payroll. Why: Ensures employees receive accurate, on-time paychecks, satisfies various employee-labor agreements.	All deadlines met.	Continue to meet all payroll deadlines.	In spite of the complex terms and conditions required by the various bargaining units that represent County employees, the biweekly payroll deadlines are being met.
MEET ALL KEY DEADLINES FOR PROPERTY TAX SERVICES. What: Measures ability to meet deadlines for computing property tax bills and allocating tax revenues. Why: Provides timely revenue to Orange County taxing agencies who receive funding from tax revenues.	Met all deadlines.	Continue to meet all deadlines.	The Auditor-Controller is consistently meeting all scheduled deadlines for property tax services. Prepared over one million property tax bills and allocated over \$2.6 billion in revenue to more than 180 taxing agencies and County funds.
EMPLOYEE TRAINING: MEET 90% OF ALL TRAINING REQUIREMENTS BY DECEMBER 31, 2003. What: Measures ability to train staff on technology advancements, legislation, accounting regulations. Why: Ensure employees are well trained to maintain productivity and accomplish Strategic Goals.	New Outcome Measure for 2001.	Meet all training requirements by December 31, 2003.	Constant changes in systems technology and accounting policies require highly knowledgeable employees to maintain productivity and accomplish key outcome measures. The goal is to develop training standards for each position that are that are linked to PIP and MPP goals.
ENHANCE AVAILABLE TECHNOLOGY. What: New technology tools to improve data availability and retrieval for County employees and clients. Why: Technology advancement is how the County will meet its information processing needs in the future.	Began implementation of Virtual time sheets (VTI) and Electronic Records Management and Imaging (ERMI).	Continue to rollout VTI and ERMI to County departments and initiate plans for other projects such as electronic workflow processing for accounts payable.	During 2000, the Auditor-Controller initiated several projects designed to enhance overall efficiency and enable data gathering and processing to be more efficient in the department and other County agencies.

Fiscal Year 2000-01 Key Project Accomplishments:

- Significant new achievements during the past year include the initial rollout of the virtual timesheet and document imaging/mining technology programs, establishment of training and recognition committees to improve staff well being, formation of the GASB 34 Steering Committee and supporting workgroups to implement major mandated changes in financial reporting, and reorganization of the systems function to meet growing technology and systems needs of the County. The Auditor-Controller also continues to successfully carry out all required ongoing accounting activities. Annual results of some of these ongoing efforts are summarized as follows:
- Completed the County's CAFR and component unit financial statements by scheduled deadlines, with unqualified audit opinions for all statements. Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the CAFR.
- Paid 82,000 vendor claims totaling over \$1 billion.
- Processed over 999,000 checks for family support, tax refunds, jury payroll, election payroll, and accounts payable.
- Prepared over 1 million property tax bills.
- Processed over 15,000 journal vouchers and 22,000 deposit orders.
- Updated approximately one-third of the County Accounting Procedures and posted them online on the County's Intranet site.
- Implemented the Clerk of the Board automated tax refund system.
- Provided post bankruptcy related services by completing available cash distribution, paid Option "B" pool participants, maintained and updated "Available Cash" model, resolved all disputed claims, and assisted in final distribution of bankruptcy proceeds for Community Facilities Districts.

- Completed client satisfaction surveys of all host departments/agencies, and received high satisfaction ratings in each section. Conducted client satisfaction surveys of vendor and of other local governmental agencies (cities, school districts, and special districts), and received high satisfaction ratings.
- Prepared analytical information for Measure E, "Safe and Healthy Communities Initiative," for the March 7, 2000 ballot, and for Measures G and H, the tobacco settlement funds measures on the November 7, 2000 ballot.
- Successfully implemented Performance Incentive Plan by providing necessary training and meeting Performance Action Plan, PIP goal-setting, Progress Review, Final Evaluation and other appropriate review dates for employees. Successfully implemented Management Performance Plan, meeting goal setting, evaluation and other required dates for all managers.
- Expanded decentralization when HCA Accounting assumed responsibility for final payment processing of contract claims for their agency, and CSA Accounting assumed responsibility for processing mileage claims.
- Completed the development and implementation of an automated food stamp issuance system for SSA that replaced the mailing of Authorization to Pay documents.
- Increased use of Data Warehouse for a variety of financial, job cost, human resources, purchasing and budget applications.
- Placed the County's Property Tax Rate Book and Assessed Valuations Booklet on the department's website. Added County Budget Act information on the department's website.

Organizational Summary



ACCOUNTING OPS AND REPORTING - This division provides the core accounting activities required of the Auditor-Controller which benefit the County as a whole, including: apportionment of property taxes for all County tax-receiving agencies; providing payroll and claims processing for the benefit of all County departments; accounts receivable and collections functions for many County departments; accounting for County debt issuances; and preparation of the County's annual financial statements. This division also includes the administrative support and staff services section, which provides central administrative and staff support to the rest of the department. With the exception of Public Finance Accounting, which is cost-applied to the County

Executive Office, and Collections/Accounts Receivable, which is cost-applied to client departments, the core services provided by the Accounting Operations and Reporting division are financed by general-purpose revenues of the General Fund. During 2000, the Employee Benefits Accounting Section was dissolved and the staff was reassigned into other areas of the Auditor-Controller Department.

AGENCY AND SUPPORT ACCOUNTING - This division supports eight other agencies/departments by providing outstationed specialized accounting/financial services. This division contains the Cost Studies and Mandated Audits Section, which prepares the County's annual Countywide Cost

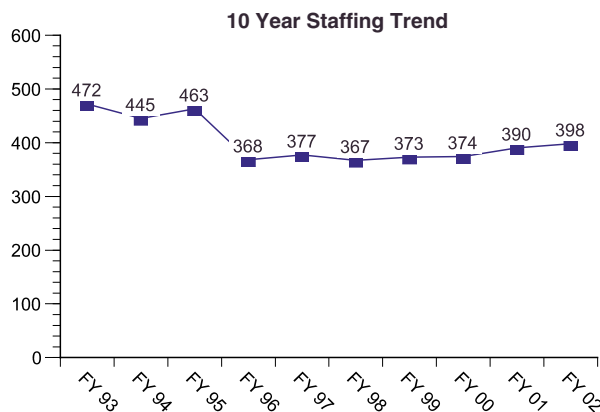
Allocation Plan (CWCAP) that is utilized for cost reimbursement claiming purposes by most County departments. It also prepares other cost studies, and is responsible for serving as a liaison with the Internal Audit Department for the Auditor-Controller's audit mandates. The outstationed agency/department accounting support sections are entirely funded by host agencies that have outside revenue sources. The Cost Studies and Mandated Audit function is funded with general-purpose revenues of the General Fund.

CAPS ADMINISTRATION - CAPS Administration provides administrative support for the County Accounting and Personnel System (CAPS). This function is assigned to the Auditor-Controller but represents the interests of all owner organizations: CEO/CFO, CEO/Human Resources, and the Auditor-Controller.

EXECUTIVE MANAGEMENT - This section includes the executive management team that provides leadership and direction for the department. It consists of the Auditor-Controller, Chief Deputy, their secretaries, and the Communications/Staff Development Manager.

SYSTEMS - Systems was separated from Agency and Support Accounting and reestablished as a division in February 2001. Systems is responsible for the implementation, maintenance and upgrade of the County's central accounting and financial systems, as well as the development of other accounting-related systems.

Ten Year Staffing Trend:



Ten Year Staffing Trend Highlights:

- FY 94/95 - Added 4 systems positions to work on CAPS. Added 14 positions in outstationed agency units, most in SSA Accounting with no Net County Cost (NCC) effect.

- FY 95/96-Eliminated 15 positions due to transfer of internal audit responsibilities to a new County agency. Eliminated 31 other County General funded positions from Central Operations and 49 positions from outstationed Agency units.
- FY 96/97- Added 4 positions to work on CAPS upgrade (partial restoration of 9 positions eliminated from Systems in 95/96). Added 5 positions to outstationed Agency Accounting with no NCC effect.
- FY 97/98 - Restructure resulted in a net decrease of 10 positions.
- FY 98/99 - Added 6 positions to Agency Accounting with no NCC effect.
- FY 99/00 - Added 1 position in the central office as additional clerical support for purchasing and HR function.
- FY 00/01 - Added 26 positions that were transferred in as part of HCA restructuring with no NCC effect. Added 1 Limited Term position for GASB 34 implementation. Eliminated 10 positions that were transferred to CEO/HR with no NCC effect. Eliminated 1 position from central office.
- Mid year adjustments - In November 2000, added 2 Limited Term positions for GASB 34 implementation, 1 HR manager, 1 Systems Analyst for ATS, 1 limited term for DA/Family Support study, deleted 2 positions in SSA Accounting Services. In February 2001, added 3 positions due to Systems reorganization. In May 2001, deleted the limited term DA/FS position, added 1 position in PF&RD Accounting for Dana Point leases.
- FY 01/02 - Added 1 position in General Ledger and 1 limited term position in Systems for the CAPS upgrade. Base budget of 398 positions.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Although the Auditor-Controller does not have responsibility for a specific priority item, the department budget request reflects support of the overall priorities as follows:

We initiated several technology projects designed to enhance overall efficiency and enable data gathering and processing to be more efficient throughout the County.

We continued efforts to decentralize payment processing by allowing HCA Accounting to assume responsibility for final payment processing of HCA contracts while CSA Accounting assumed responsibility for processing mileage claims.

Our budget supports implementation of GASB 34 that requires the most significant change in governmental financial reporting in recent memory. These changes will impact the way the County financial position is presented and as such, we consider them to be a high priority deserving the attention of the CEO and CFO as well as the Auditor-Controller.

Changes Included in the Base Budget:

The budget request reflects the Auditor-Controller's desire to increase the usefulness and accessibility of financial information systems. As presented in the Business Plan, accomplishing these goals requires an initial investment in technology and the resulting addition of related positions. However, the payoff will be realized in providing faster, streamlined, convenient and user-friendly data to clients, which will ultimately result in greater efficiency in all County departments and agencies.

Net County Cost reductions: Although we have not been able to reduce our Net County Cost from the target, we have absorbed increases in cost that are essential to completion of priorities set out in the Business Plan. We absorbed a large increase in training costs, cost of a new mail machine, and initial consultant costs to begin planning for disaster recovery.

Approved Budget Augmentations and Related Performance Results:

Unit/Amount	Description	Performance Plan	Ref. Num.
Systems Amount:\$ 65,990	Add 1 limited term Sr. Accountant II position for CAPS upgrade.	Convert CAPS database to DB2, setup Advantage 3 prototype environment, identify major policy issues.	003-003

Final Budget and History:

Sources and Uses	FY 1999-2000 Actual Exp/Rev ⁽¹⁾	FY 2000-2001 Final Budget	FY 2000-2001 Actual Exp/Rev ⁽¹⁾	FY 2001-2002 Final Budget	Change from FY 2000-2001 Actual	
					Amount	Percent
Total Positions	N/A	390	N/A	398	398	0
Total Revenues	4,637,252	4,784,567	4,992,137	4,850,332	(141,805)	(3)
Total Requirements	10,263,270	10,591,020	10,605,402	11,469,728	864,326	8
Net County Cost	5,626,018	5,806,453	5,613,265	6,619,396	1,006,131	18

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2000-01 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: AUDITOR-CONTROLLER in the Appendix on page 512.

Highlights of Key Trends:

- The Auditor-Controller workload increases proportionately with the addition and expansion of County programs (such as Measure H, the El Toro Reuse Authority, and the Dana Point Harbor Agreement) and with the general growth in the County budget and number of positions. Workload also increases as a result of requests from client departments for new and enhanced services and for interfaces with our automated systems.
- Key technological enhancements that serve to reduce overall workload for County administrators, (such as the newly developed on-line payroll timekeeping program and the Electronic Reporting Management and Imaging system) have created significant new workload for the department.
- Workload continues to increase as the number of County programs expands to support the County's growing population. Since the bankruptcy, the number

of County positions has grown beyond pre-bankruptcy levels when adjusted for Court positions. (Even though the Courts are no longer a County agency, the Auditor-Controller continues to perform all the related accounting and payroll services for them on a fee basis). Although increases in operating efficiency and technology have assisted in closing the gap between resources and workload, the gap is widening due to expanding workload. Transactions processed have increased in key areas from 10 to 20 percent over the past three years.

- Implementation of the new financial reporting model (GASB 34) continues to place pressure on resources. Although some of the additional workload is resulting from transition issues, a sustained increase in workload will result from the new reporting model.
- Significant systems development work will continue for the basic financial systems that manage the County. The Assessment Tax System is in the process of being totally rewritten. The County Accounting and Personnel Systems are also being redeveloped. These developments will place additional strain on an already taxed Systems Division. The reorganization of the Division approved at mid-year is an excellent first step in ensuring the proper development of these mission critical systems.

Budget Units Under Agency Control

No.	Agency Name	ACCOUNTING OPS AND REPORTING	AGENCY AND SUPPORT ACCOUNTING	CAPS ADMINISTRATION	EXECUTIVE MANAGEMENT	SYSTEMS	TOTAL
003	AUDITOR-CONTROLLER	5,643,187	2,982,017	0	506,738	2,337,786	11,469,728
004	MISCELLANEOUS	0	71,790,648	0	0	0	71,790,648
14A	OPTION B POOL PARTICIPANTS REGIST WARRANTS	0	1,071,698	0	0	0	1,071,698
14C	CLASS B-27 REGISTERED WARRANTS	0	202,125	0	0	0	202,125
15D	TEETER PLAN TAXABLE NOTE REPAYMENT	0	0	0	0	0	0
15Q	PENSION OBLIGATION BOND AMORTIZATION	0	55,000,000	0	0	0	55,000,000
15W	1996 RECOVERY COP SERIES A	0	6,438,799	0	0	0	6,438,799
15Y	SCHED 1 COUNTY-ADMIN ACCOUNTS	0	2,334,237	0	0	0	2,334,237
15Z	PLAN OF ADJUSTMENT AVAILABLE CASH	0	10,489,169	0	0	0	10,489,169
Total		5,643,187	150,308,693	0	506,738	2,337,786	158,796,404